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Summary:

Maricopa County, Arizona; Appropriations; General Obligation

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*(**Editor's Note:** In the summary analysis published Dec. 30, 2013, the affirmed rating on the lease revenue bonds was misstated. A corrected version follows.)*

Credit Profile		
Maricopa Cnty ICR		
Long Term Rating	AAA/Stable	Affirmed
Maricopa Cnty Pub Fin Corp, Arizona		
Maricopa Cnty, Arizona		
Maricopa Cnty Pub Fin Corp (Maricopa Cnty) lse ser 2007A		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Maricopa Cnty Pub Fin Corp (Maricopa Cnty) lse ser 2007B		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' issuer credit rating on (ICR) on Maricopa County, Ariz. At the same time, Standard & Poor's affirmed its 'AA+' rating on the county's existing lease revenue bonds. The outlook is stable.

The lease revenue bonds represent an interest in lease payments by the county to the Maricopa County Public Finance Corp. for use of various leased property, which includes the downtown consolidated justice courts, the Forensic Science Center and garage, the Superior Court Customer Service Center and garage, the security building, Estrella Jail, the animal care and control facility, the southwest justice court land, and the administration building land.

The rating reflects our assessment of the following factors for the county.

- In our view, Maricopa County's local economy is adequate with projected per capita effective buying income at 105% of the national average and per capita market value at roughly $79,200. The county participates in the broad and diverse economy, including Phoenix and Scottsdale metropolitan areas. The county unemployment rate in 2012 was 7.1%.
- Maricopa County's management conditions are very strong, in our opinion, with strong financial practices under our Financial Management Assessment (FMA) methodology, indicating practices are well embedded and likely sustainable. Highlights of the plan include strong revenue and expenditure assumptions in their budgeting process, strong oversight in terms of monitoring their progress against the budget during the year, long-term financial and capital plans, and formal investment management and debt management policies.
- In our opinion, Maricopa County's budgetary flexibility is very strong with available reserves at 41% of operating expenditures in fiscal 2013, including outside reserves. However, the county is working on several long-term capital

projects and anticipates drawing down on its reserves somewhat in the near future, however not below what we would consider strong.
- We view Maricopa County's budgetary performance to be weak overall, with a deficit of 3.0% for the general fund and a deficit of 3.7% for the total government funds in fiscal 2013. However, we understand that this is largely due to several large capital projects on which the county is embarking as it has a very strong reserve balance. We anticipate the county will continue to post deficits over the next few years as they continue their capital projects.
- In our opinion, Maricopa County's debt and contingent liabilities profile is very strong. Total government funds debt service is 1.5% of total governmental funds expenditures, and net direct debt is 8% of total governmental funds revenue. Approximately 65% of the debt is repaid over 10 years. Last year, Maricopa County contributed 94.2% of its annual required pension contribution. The county contributes to four pension plans and has consistently funded its annual required contribution. Arizona covers other postemployment benefits for retirees and, consequently, the county has no liability associated with these benefits. The annual pension costs accounts for 3.9% of the total government expenditures in fiscal 2012. The Institutional Framework score for Arizona counties is "strong." See the Institutional Framework score for Arizona.

Outlook

The stable outlook reflects our view that the county will not draw on its reserves to below a level we consider strong. The outlook also reflects our anticipation that the county will not issue significant debt or engage in contingent liabilities to the degree that would significantly weaken its debt and liability profile. We do not anticipate any of these occurring over the two-year horizon of the outlook.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Related Research

Institutional Framework Overview: Arizona Local Governments

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